

Nipp replaces Karels as Coast-to-Coast prez

MINNEAPOLIS—Carl D. Nipp has been appointed president of franchise wholesaler Coast to Coast Stores, following the resignation earlier this month of Joseph B. Karels, who headed the company since 1978.

Nipp, who joined Household Merchandising, the Des Plaines, Ill.-based parent of Coast to Coast, less than a year ago, had previously been vice president, merchandising, for Fred Meyer, Portland, Ore., marketing vice president for Super Valu Stores, Minneapolis and president of Certified Grocers of Chicago, Ill.

Also resigning from Coast to Coast was senior vice president for division operations Gary C. Weiss.

Both Karels and Weiss resigned to pursue other interests, Coast to Coast officials said. The former executives said they are investigating many alternatives, including possible ownership of a Coast to Coast outlet, and that they may stay together in business.

The resignations, however,

might have resulted from Coast to Coast's recent performance.

The chain of 1,200 hardware stores (267 carry building materials), did \$500 million in sales last year, according to Ed Rowe, director of human resources at Household Merchandising. He said while Coast's sales were up last year, profits were "slightly down."

Concerning the change in management at Coast to Coast, Rowe said, "We would now want a better balance between improving sales in existing units and adding new stores."

"In the past, we have been a bit too concerned with looking for new locations and owners and haven't taken into account what that relates to in terms of internal growth."

Coast to Coast accounted for about 10% of its parent's 1981 business, which also includes sales from Von's Supermarkets, Los Angeles, Ben Franklin variety stores, Des Plaines, Ill., and discounter T.G. & Y., Oklahoma City.

Former Coast buyer Sam

Mangiari, now national accounts manager for Gambles, Minneapolis, said Karels' resignation was a surprise.

He noted, however, "Even when I was there, there was always talk about Household replacing Karels with one of their own men."

"In the time I was there, I'd have to say that the company's stability was no more or less than any other in the industry, and in fact, within its own com-

petitive field, Coast to Coast was probably above average."

At Coast to Coast, senior vice president, retailing, Paul Hitzelberger said, "Joe [Karels] has been planning to resign for the past two years."

The resignations came only about two weeks after the resignation of Charles B. Haertl, Coast to Coast's east central division general manager. Company officials said he was pursuing other interests, but

Haertl confirmed his resignation was involuntary.

"Financial performance and lack of growth was the reason given to me," Haertl said. "Since I became general manager in 1975, we did well for the first two or three years. We opened about 15 stores a year. But, in today's economy, it's not easy to get people to invest in a store and Coast to Coast's growth was in new stores, not acquisitions."

Less vigorous approach

FTC is retargeting enforcement

WASHINGTON—Top Federal Trade Commission policy makers are quietly retargeting the agency's enforcement efforts away from areas of direct concern to the nation's home center chains.

FTC planning documents obtained by *National Home Center News* indicate that the commission has already refocused much of its traditional antitrust and consumer protection enforcement activities, and that further shifts may be in the cards.

Specifically, those documents suggest that under Reagan appointee Chairman James Miller III the FTC will:

- De-emphasize the agency's campaign to require presale product warranty disclosure by home center chains and other retailers;
- Sharply reduce efforts to prosecute manufacturers engaged in discriminatory pricing practices;
- Initiate deceptive advertising cases on a far more selective basis, and
- Follow the lead of Justice Department antitrusters in cutting back on efforts to discourage coercive resale price maintenance restrictions and other vertical trade restraints by suppliers.

In part, FTC's new, less vigorous enforcement approach stems from the deep budget cuts imposed on the agency by the Reagan Administration.

The funding proposal for the Government's 1983 fiscal year starting next Oct. 1 calls for reducing FTC's total operating budget by nearly \$8 million and

trimming the agency staff by the equivalent of 145 "work-years."

But to a significant extent, the shift at FTC reflects Miller's personal view that the commission's enforcement role should be narrowed.

Even before the latest FTC planning documents surfaced, Miller openly voiced reservations about the agency's controversial advertising substantiation program, and expressed support for the decision by Reagan Justice Department officials to no longer prosecute fair trade-type, vertical price fixing activities as *per se* antitrust violations.

For years, FTC's Bureau of Competition has treated efforts

by manufacturers to prevent discounting by retailers as an automatic violation of the Federal antitrust laws. Now, however, commission policy makers contend that even coercive efforts by suppliers to discourage price-cutting may actually aid competition, and that these practices will be reviewed on a case-by-case basis.

In the future, according to the new FTC planning documents, commission antitrusters will "prevent suppliers from forcing resellers to charge prices higher than they would like to charge" only if "there is no offsetting benefit to competition from the supplier-reseller arrangement."

(Continued on page 4)

Existing home sales rise 2.2% nationwide in Feb.

WASHINGTON—The North Central region had the largest increase in sales of existing homes in February, posting a 11.4% hike from January to a seasonally adjusted annual rate of 490,000, according to the National Assn. of Realtors.

All regions showed improvement except the South, where sales of existing single-family homes dropped 2.4%. Nationally the seasonally adjusted rate of home resales rose to 1.9 million, up 2.2% from January.

Still, the overall seasonally adjusted rate of sales remained 26.6% off from February 1981.

"The adverse market conditions created by high interest rates are also placing a real damper on home prices," said Dr. Jack Carlson, chief economist and executive vice president of the NAR. "In February, the median sale price of an existing single-family home rose just 2.7% to \$67,900, up only 5.9% from February 1981."

Carlson predicted a slow recovery beginning this spring and leading to 2.4 million existing home sales in 1982 and 3.2 million in 1983. By spring 1983, he said, housing appreciation should recover to the point where it surpasses the inflation rate.

The national median price of an existing single-family home was \$67,900 in February. For the Northeast, North Central and South the figures were \$62,800, \$64,700 and \$67,100 respectively, while the average price in the West was \$100,300.

Regionally, single-family home sales were as follows: Northeast, 300,000; North Central, 490,000; South, 820,000, and West, 260,000.

Hal's to enter Milwaukee with warehouse concept

MILWAUKEE—Hal's, a new home center operator which will make its debut here with two units next month (NHCN, March 15), is adopting DIY retailing's warehouse concept, successfully employed by Atlanta-based Home Depot and St. Louis-based Eclipse Industries in recent years.

NHCN has also learned that the Knell family, operators of 33 Ole's home centers in California and Nevada, is an investor in the new venture along with several former key W. R. Grace home center executives.

The chain, which will open two of a projected four Milwaukee-area stores in space

leased from Target discount stores on South 27th Street in the Greenfield section of the city and on Capitol Drive in Wauwatosa, Wis., will use warehouse racking and a mass presentation of merchandise.

"It's the nature of what people here are used to," explained Mary Kodis, a founder of now Grace-owned Handy City, Atlanta, and an investor in Hal's, who is the new company's president. "It's the style that fits the locale nicely. These operations also seem to be more volume-minded than other stores."

"We'll warehouse some on the floor and above. We're not

(Continued on page 34)

Mr. Good Buys unveils VIP cards

PHILADELPHIA—Mr. Good Buys, the warehouse-style home center chain, is out to confer special status on many of its customers by providing them with V.I.P. cards.

The new promotional program is modeled after a similar one initiated last fall by At-

lanta-based Home Depot.

Holders of the new card are promised "5% off any of our competitors' advertised or regular price on identical, in-stock items," along with "no-hassle check approval," and first notive privileges.

Although co-owner Dan Neduscin said it was "too soon to tell" if the program, announced in February, has been a success, an 8-in. stack of completed applications atop a secretary's desk indicated enthusiastic customer response.

Neduscin has set a goal of 100,000 V.I.P. card holders, but isn't sure if that figure can be reached.

The background

"We're getting about a 50% rejection rate so far," he said, noting that most of the refusals appear to be the result of improper completion of the application form, which requires banking information, names of charge cards and employment data.

A credit checking firm evaluates the applications since card bearers are guaranteed instant check approval. "About 10%-20% of the rejected applications

are resubmitted," Neduscin said.

The application form first appeared in a February 40-page catalog along with a back page full-color ad headlined "You'll be a Very Important Person With Mr. Good Buys guarantee—yours absolutely free—this card in your wallet means you'll never have to comparison shop again!"

Neduscin said that customers would be required to bring in the competitors' ad to receive the 5% discount. He anticipated no problems with name brand merchandise, but speculated that some difficulties could arise with lumber.

"If a customer brings in an ad for 2x4's, it could present a problem, unless the ad specified grade and species," Neduscin said.

The Mr. Good Buys V.I.P. cards will be of the plastic, credit card variety. "Plastic cards imply credibility," Neduscin said. "Cardboard ones tend to get shoved in a wallet and either crumble up or are forgotten," adding that plastic cards of this type are "probably unique" in the home center industry.

INSIDE

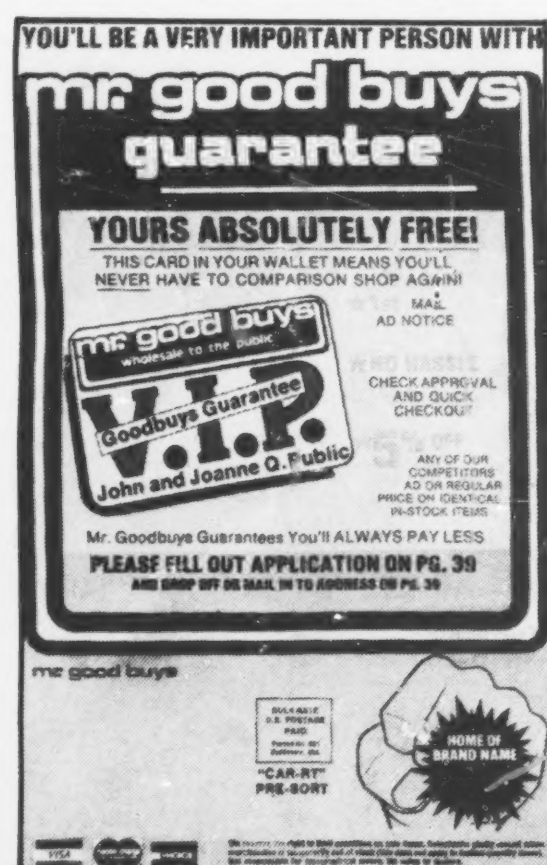
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This full-color ad on the back page of Mr. Good Buys' 40-page March-April catalog promotes its new V.I.P. card program.

DIY chains have the edge in 1981

(Continued from page 1)

- Sales for the most recent fiscal year were up 25% from the year before, to \$479 million.
- Inventory levels stayed more directly in line with those increases than in 1980: At the close of fiscal 1979, with 68 stores in operation, year-end inventory totaled \$87.8 million; in fiscal 1980, with 78 stores, inventory declined to \$83 million; while in the latest fiscal year, with 86 stores, year-end inventory totaled \$95.6 million.

Erb Lumber

- The sale of rental apartment property inflated 1980 net income by more than \$1.1 million, contributing to the decrease posted for this past year of 54%, to just over \$2 million.
- Sales in 1981 dipped 1% to \$118.1 million as depressed residential construction and the poor regional economy took their toll against efforts to boost retail sales.

Lowe's		
Earnings as % of sales	Qtr.	Sales (in millions)
1979		
2.1	1st	\$189.1
3.5	2nd	267.1
3.3	3rd	257.6
1.7	4th	190.9
1980		
1.0	1st	182.8
3.0	2nd	246.8
2.8	3rd	248.2
1.2	4th	205.8
1981		
1.0	1st	218.1
2.9	2nd	268.6
2.1	3rd	227.9
1.8	4th	173.5

Fiscal year ends Jan. 31

- Year-end inventory levels were reduced from \$17.1 million in 1980, to \$13.7 million in 1981.
- The 36-unit chain's quick ratio (cash, receivables and marketable securities divided by current liabilities) was 58% at the end of 1980 but rose to 89% as 1981 ended.

Lowe's

- For the first time, consumer sales exceeded professional volume, claiming 52% of the business.
- Net earnings dropped 5% to \$17,859,000. Sales rose 1% to \$888,042,000 compared to fiscal 1980 which ended in January 1981.
- Lowe's operated 15 more stores at the end of the fiscal year than a year ago, but stock levels were considerably lower. The chain carried \$113.5 million on Jan. 31, 1982, compared to \$125.1 million on Jan. 31, 1981.
- Its quick ratio remained practically steady at 102%.

Wolohan Lumber

- The home building situation and the economy also reduced 1981 sales by 10% to \$88,788,000 from 1980.
- Net earnings rose 22%, however, to \$972,000. The upturn was achieved through reduced operating costs and 1.6% higher gross profit margins to 24.3%, according to Wolohan's annual report. Centralizing more of its purchasing and bringing in higher-margin products contributed to the performance.
- Inventory levels remained in line with year-earlier levels, but Wolohan's quick ratio was up to 191% from 132% in 1980.
- "Our liquidity and working capital positions have improved even further over 1980's year-end levels," the annual

report said. "Our liquidity ratio is 1.52:1, a 111% increase over 1980's 0.72:1 ratio."

In general, other DIY-oriented companies did well.

Rickel Home Centers' sales rose 14% to \$187 million from fiscal 1980 although the 31-store chain opened only one new unit last year, Supermarkets General, Rickel's parent, reported.

Pay 'N Pak, which opened four new outlets last year, saw net earnings rise 12% to \$7.2 million on a sales gain of 19% to almost \$181 million in the year ended Feb. 28.

Scott's, Linthicum, Md., was helped and hurt by its acquisition of Frank's Hardware last summer. As the chain more than doubled its size to 17 outlets by Jan. 31, the end of its fiscal year, sales were up 31% to just over \$19 million. The chain reported an operating income loss of \$207,000, however.

At Evans Products' 348 retail outlets, "while gross profit margins improved in

Scotty's		
Earnings as % of sales	Qtr.	Sales (in millions)
1979		
4.7	1st	\$53.7
4.2	2nd	56.2
3.8	3rd	54.6
4.0	4th	62.3
1980		
5.0	1st	64.6
4.3	2nd	64.4
3.2	3rd	60.6
3.4	4th	69.6
1981		
4.0	1st	79.0
4.2	2nd	85.2
3.0	3rd	69.9
2.1	4th	70.3

Fiscal year ends June 30

Pay 'N Pak		
Earnings as % of sales	Qtr.	Sales (in millions)
1979		
4.0	1st	\$31.8
4.6	2nd	39.6
4.9	3rd	36.8
5.2	4th	30.2
1980		
3.7	1st	35.3
4.0	2nd	42.5
4.3	3rd	41.3
5.1	4th	32.8
1981		
3.6	1st	41.5
3.8	2nd	49.3
4.0	3rd	51.7
4.6	4th	38.4

Fiscal year ends Feb. 28

both years, increased operating expenses caused the earnings return on revenues to decline in 1980 and 1981," according to the firm's annual report.

Operating income was up 2% to \$53 million while sales rose 9% to \$756.2 million last year at Evans' stores.

At 81-store Handyman, however, "an aggressive program of off-price promotions" helped maintain market share but cut into gross margins, thus reducing operating profits from \$11.9 million in 1980 to \$8.4 million in 1981, parent Edison Brothers Stores' annual report said.

Sales rose 6% to \$205.3 in the period.

The company said it would maintain the promotional program but would work on "pruning unproductive items" from Handyman.

Boise Cascade's building materials distribution division, including 94 stores, saw 1981 sales decline slightly to \$547 million, the annual report said. The chain "remained competitive and maintained market share," the report added, and the company hopes for a \$1 billion sales year "in a good building materials market" from the stores.

Lower interest rates

(Continued from page 1)

"The trend will make customers more prone to buy," said an executive at W. R. Grace's retail division, "but the immediate effect [lower inflation] it has had on sales and prices has thus far been nil."

One thing escapes debate: the inflation fever has broken.

In the 12-month period ended in February, the rate of inflation stood at 7.7%, compared to 12.4% for the 12-months ended December 1980. More significantly, March Producer Prices fell for the second consecutive month, by 0.1% for finished goods; 0.3% for intermediate goods and 0.9% for crude goods.

Retailers, security analysts and accounting executives see disinflation as having both posi-

tive and negative effects.

On the plus side, dealers will find selling and general administrative (SGA) costs escalating less rapidly. In recent years, SGA expenses like utilities, and wages (which can account for as much as 70% of this total and were often linked to the CPI) were running double the inflation rate of retail prices.

"Disinflation now allows gross margin to better cover increases in SGA costs," said Irwin Cohen, national retail industry director for Touche Ross. He explained that home center chains have, in many instances, been forced to slash margins to generate sales merely to offset inflation-related increases in SGA costs.

"But what disinflation will really translate into is improve-

ment in consumers' willingness to spend more money because of the perception the economy is getting better," he said.

At the moment, counters Stanley Cohen, president of Central Hardware, "The pressure is still on [consumers] to pay their bills. Most customers probably haven't felt the inflation drop yet."

Nonetheless, the 30-store St. Louis-based chain saw its gross margins improve by a percentage point for the fiscal year, ended in February, and has seen sales in March grow by 8% chainwide from the previous year.

Increases in earnings, however, are likely to present a new dilemma at home center companies that switched to LIFO accounting.

"Retailers will have to realize that LIFO is a long-term proposition," cautioned Dale Steinmetz, of Price Waterhouse. The partner of the accounting firm's

retail services division explained that as inflation is reduced, the allowable LIFO adjustments decline, leaving more profits on the books, which means a bigger cash outlay for taxes.

"The end result," however, Steinmetz said, "could be growth in inventory in real terms [after inflation is factored out], which can only strengthen a company's balance sheet."

Forest City's Marques lamented the added tax burden likely to result from the effect of disinflation under LIFO accounting, but still insists that the company made the right move by converting to LIFO in 1980.

"We have been able to obtain a moratorium on wage increases for a year, and have gone back to unionized workers in the third year of their contract,

telling them that we can't afford the previously negotiated terms," said Marques. The employees have been "amenable" to Forest City's requests, he noted.

Disinflation's impact on distributing companies using LIFO, meanwhile, would be less pronounced, "at least from a net profit standpoint," said David Hodnick, treasurer and controller for Ace Hardware, the Oak Brook, Ill., wholesale co-op. He added, though, that improved economic conditions from disinflation "could speed up our expansion rate."

Robert Simonson, a security analyst for Kidder, Peabody & Co., said while inflation will remain below past levels "for five to 10 years," other factors, such as lower interest rates and improved employment opportunities must prevail for the recession to end.

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Hal's stores

(Continued from page 2)

going as far as The Home Depot but we're not going to look sterile like a Handy City."

The Home Depot started out the same way by leasing space from adjacent Treasury discount outlets.

Hal's warehouse look will encompass lumber, building materials, hardware, paint, floor and wall coverings and seasonals, "a basic home center without housewares and automobiles," according to Tom Gritz, vice president and general merchandise manager for hard lines at Hal's.

Kodis admits, however, that Hal's officials have their work cut out, although a primary attraction to opening home centers in the Milwaukee market is a lack of competition.

"Milwaukee doesn't know what a home center is," she said. "We have to explain the business to the employment agencies we've contacted. I think we'll use institutional ads with home center as the dominant word."

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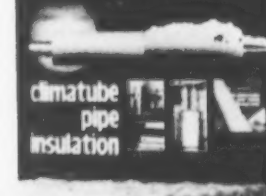
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THE 1982 WORLD'S FAIR

Proper cashier training can help trim losses

Cashiers should be trained. When they make mistakes, the errors should be discussed with them. When they do well they should be complimented. To accept failure to follow procedures and policy, to accept overages and shortages, to take the path of least resistance in expecting quality work can result in problems in the future and losses.

These times demand innovative techniques

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, April 1.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 3/31	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	28¾	48¼	26	6
Diamond Int'l (NYSE)	38	41¼	26¼	19
Evans Products (NYSE) (Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley)	12½	26½	11¾	12
Forest City (AMEX)	11½	20½	11¼	2
W. R. Grace (NYSE) (Angels, Cashway, Channel, Handy City, Handy Dan, Orchard)	35	54½	34½	5
Lowe's (NYSE)	14½	18½	9½	15
Payless Cashways (NYSE)	17¼	20¼	15¼	13
Scotty's (NYSE)	17½	26½	15½	9
Southwest Forest Industries (NYSE)	11½	27½	11½	10
Wickes (NYSE)	5½	17	4½	5

* \$ in millions

Over-the-counter stocks

	As of 3/31		52-week High (Bid)		Low (Bid)
	Bid	Asked	High (Bid)	Low (Bid)	
Erb Lumber	8	9	14¾	7½	
Hechinger	16¾	17½	23½	10¼	
Hines Lumber	18	19	23	15	
The Home Depot	16½	17¼	17	7¾	
Pay 'N Pak	15¼	15½	18	13½	
Pay 'n Save	17½	17½	29½	16½	
Scott's Seaboard (Scott's)	1¼	1½	1½	½	
Wolohan Lumber	3¼	3½	6½	3	

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	12/31-4th qtr. 12/31-Year	\$ 25,189 118,142	\$ 29,575 118,933	- 15 - 1	\$ 542 2,055	\$1,714 4,451	-68 -54
Hechinger	1/30-4th qtr. 1/30-Year	46,594 210,619	41,556 170,445	12 24	2,427 8,586	2,136 6,801	14 26
The Home Depot	1/31-4th qtr. 1/31-Year	19,209 51,542	6,632 22,318	190 131	638 1,445	466 856	37 69
Pay 'N Pak	2/28-4th qtr. 2/28-Year	38,436 180,974	32,759 151,765	17 19	1,774 7,199	1,667 6,449	6 12
Scotty's	2/20-4 wks.	24,131	23,311	4	—	—	—

* \$ in thousands

Erb Lumber's 1981 income drops 54%

BIRMINGHAM, Mich.—The depressed home building industry and poor economic conditions contributed to lower profits and revenue in 1981 compared to 1980 for Erb Lumber, company officials said.

Last year's earnings' decline looked worse because 1980 net income included \$1,114,000 from the sale of rental apartment property, they noted.

During 1981, Erb Lumber's net profits were off 54% to \$2,055,000 on a sales decline of 1% to \$118,142,000 compared to

1980 results.

The company, which primarily operates Erb and Mr. Plywood units in Michigan and the West, has benefited from "efforts to expand retail operations and sales of building material products to homeowners and modernization customers," officials said.

Those efforts in 1981 included the purchase of Smith Lumber & Supply, Grand Rapids, Mich., a \$7.5 million operation which does 65% of its sales with consumers, the closing of a

small facility in Posen, Mich., more advertising and greater management attention to the retail portion of the business, according to Richard K. Rappey, vice president, finance.

They "have partially offset the effects that high interest rates, the accompanying tight money and the worsening economic slump in Michigan have had on builder business," officials said.

Payless net off 29% in 1st qtr.

KANSAS CITY, Mo.—Reduced consumer spending and inclement weather combined to limit first-quarter sales growth and to cut net income by 29% at Payless Cashways 13-week period ended Feb. 27, company officials said.

Net income fell to \$1,377,000 on sales of \$90,827,000, a 7% gain from the first quarter a year ago.

Payless chairman J. Stanley Covey explained, "This quarter's slowdown in sales and decrease in earnings reflect two factors: a noticeable reduction in consumer spending in many of the company's market areas, and severe weather through much of our territory which, in some cases, forced the closing of stores for one or more days during the quarter."

In stores opened at least a year, sales were off 2% from the same period last year.

The effect of the last-in, first-out (LIFO) method of inventory valuation on earnings per share in the quarter was 3¢ as compared to 5¢ a year ago, officials at the 86-unit, 14-state chain said. The lower accrual for LIFO reflects the company's expectations for the entire year based upon a lower price inflation for merchandise so far this year.

Hechinger sales up 24% for 1981

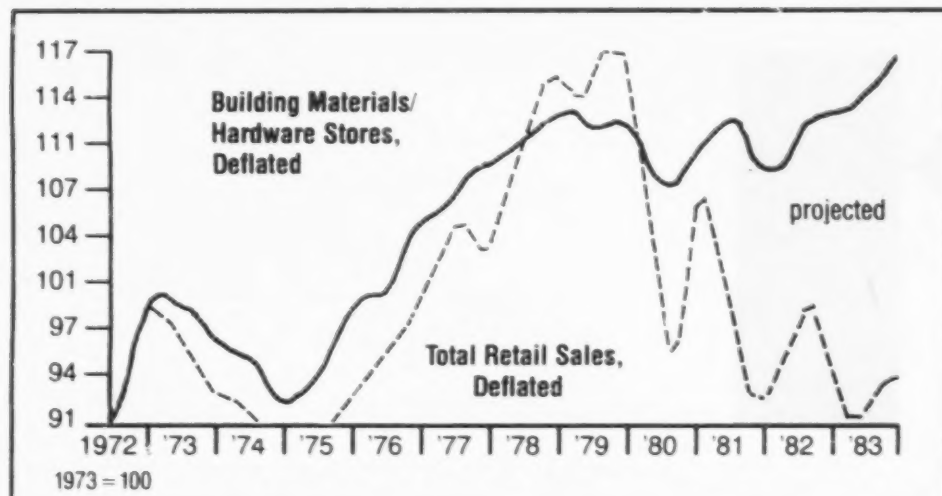
LANDOVER, Md.—Comparable sales at Hechinger stores increased 12% from its last fiscal year as the 31-unit chain exceeded the \$200 million mark in annual sales for the first time in its fiscal year ended Jan. 30, company officials announced.

Sales were up 24% from the previous year to \$210,619,072 which helped annual net earnings increase 26% to \$8,585,552.

Fourth-quarter results contributed to the upward swing as net earnings rose 14% to \$2,427,393 on a sales gain of 12% to \$46,593,953 compared to the fourth quarter of the prior year, according to company officials.

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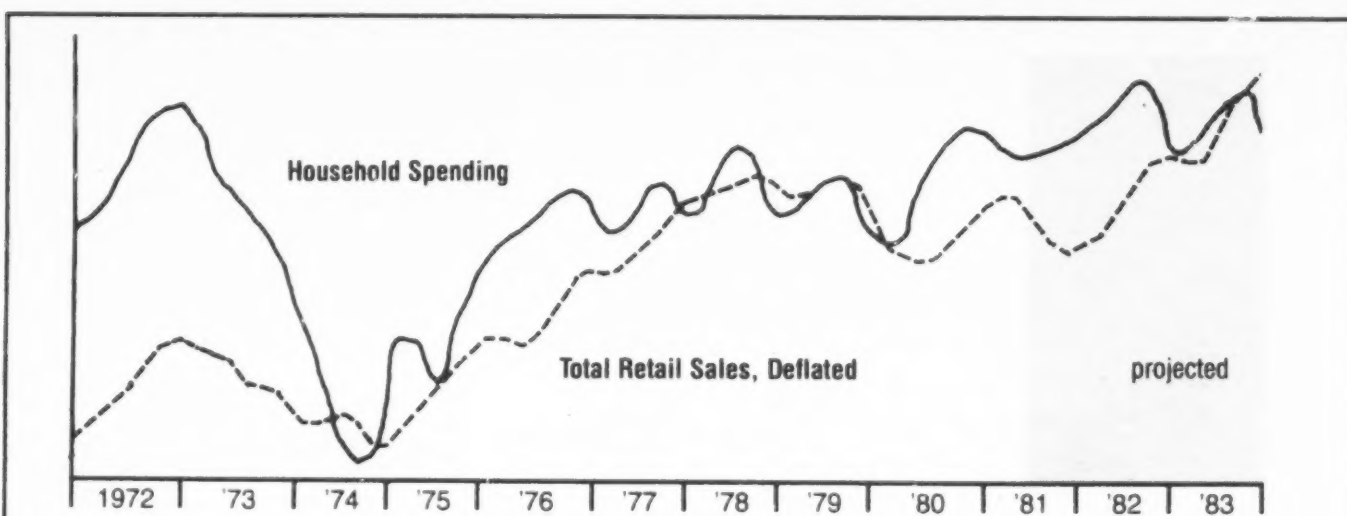
DIY set for mild, brief halftime recovery



Even though general retailing is on a comeback trail and is projected to pick up momentum each month through the balance of the year, the L/F spending indicator (below) continues to project a lower and slower trendline for consumer purchasing through the balance of 1982.

Over the next three months, in fact, the spending indicator will continue to slip compared with retail sales trends.

When first-quarter sales are finally tallied, they should show a decline of 3% vs. the same period last year. This figure should be reduced by half in the second period, Econocycle projects, as



Building Materials & Hardware

Sales change by quarter								12-month % change			
	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	8.4	15.2	7.4	-4.2	-10.3	-0.8	8.5	10.9	-3.2	6.5	1.7
Real sales (deflated)*	-1.2	6.0	0.5	-9.3	-13.0	-4.0	2.2	2.1	-12.4	-1.1	-3.5
Base = Dec. 1981 Sales											
*Projected											

Base = Dec. 1981 Sales

*Projected

key sectors of the retail economy begin to heat up and post regular increases again.

The recovery rate will hinge on how well the consumer reacts to the spring thaw around the country. Still an uncertain factor will be the size and length of the expected spending spree unleashed by tax rebates this month, most top retailers admit.

The L/F Econocycle projection for home building/DIY calls for a brief recovery in the first half, and a sharp downswing through the final six months. Sales declines will continue through June (compared to same-time last year) but the rate of loss will slow, according to L/F's computer model.

The real concern for retailers is the growing gap between the spending indicator and retail sales trends, however.

For now, only a handful of key retail industries appear to be shaking the slowdown pattern that took hold late last year.

• Drug stores are moving along the same general path as total retailing. Discounters also mirror the general trend and should be posting increases in the third period.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in real terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month.

Where an Index Base is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Sales/Include Inflation % Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	5.5	8.4	8.6	- 4.2	7.0	1.6	4.9	6.3	5.0
1982	1Q*	2.3	7.6	7.2	-10.3	7.1	-0.2	1.2	3.6	2.3
	2Q*	2.5	7.2	6.6	- 0.8	6.7	5.2	3.0	3.3	3.6
	3Q*	4.1	7.7	10.4	8.5	7.4	7.1	3.5	7.5	6.6
	4Q*	6.4	8.4	11.1	10.9	6.4	6.9	4.9	9.9	8.2
% change 12 mos.	1980	7.7	10.8	8.7	- 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.4	9.7	9.3	6.5	9.0	5.9	7.9	9.0	8.1
	1982*	3.8	7.7	8.9	1.7	6.9	4.7	3.1	6.1	5.2

Real Sales (Deflated)* % Change By Quarter

Change by Quarter										
1981	1Q	0.4	- 1.4	- 2.1	- 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	- 1.1	-0.6	3.9	3.2	2.5
	4Q	- 1.1	3.6	0.5	- 9.3	- 2.4	-3.8	1.7	0.9	0.1
1982	1Q*	- 3.1	2.5	0.9	-13.0	- 0.8	-5.6	-1.9	- 1.2	- 2.3
	2Q*	- 1.7	- 0.4	0.1	- 4.0	0.7	-1.2	-0.0	- 1.2	- 1.0
	3Q*	1.3	- 0.2	3.4	2.2	2.8	-0.3	0.6	2.8	1.7
	4Q*	4.6	- 0.2	3.7	2.1	2.4	-0.8	1.4	3.9	2.4
% change	1980	- 2.6	3.0	- 0.7	-12.4	2.5	-1.4	0.1	- 1.5	- 1.2
12 mos.	1981	1.3	0.9	0.4	- 1.1	- 0.8	0.2	4.0	2.7	2.4
	1982*	0.2	0.4	2.0	- 3.5	1.3	-2.0	0.0	1.1	0.2
Base = Dec. 1981 Sales										

Base = Dec. 1981 Sales

*Projected

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Wickes files Chapter XI to re-establish credit

Seeks to reopen supply lines

SAN DIEGO—Wickes Cos., facing \$802 million in unpaid bills to vendors and \$1.198 billion in bank debts, has filed for protection under the Federal bankruptcy laws in hopes of restoring supplier confidence in the \$4 billion retailer.

"We want to get normal trade credit re-established," said Sanford Sigoloff, Wickes' recently appointed chairman and ceo who pointed to "critically short" inventory levels at several of Wickes' retail operations.

Chapter XI filing gives Wickes a temporary reprieve from its debt obligation to an estimated 15,000 creditors, allowing it to continue operations under its newly formed management team while attempt-

ing to reorganize and hammer out a repayment structure. Sigoloff warned that "conservatively" it will take Wickes at least three years to come out of bankruptcy proceedings.

While suppliers holding unpaid bills will have to queue up

Wickes has scheduled a meeting with creditors for June 3 in the Los Angeles Convention Center.

with other creditors, Sigoloff insisted that they should be "anxious to continue to work with us."

Chapter XI rules under the Federal Bankruptcy Act give priority for repayment to vendors, bankers and other trading partners who issue new

credit to the company.

The Chapter XI filing, made on April 24 in Los Angeles came on the heels of an announcement by Sigoloff two weeks earlier than Wickes had called off the sale of a major stake in its drug store and supermarket subsidiaries and, by mutual agreement, ended talks with Pillsbury for the sale of Wickes' agricultural division.

Thorofare Markets, Youngstown, Ohio, which had tentatively agreed to buy two-thirds' interest in Wickes' Red Owl supermarkets and Snyder Drug Stores for an estimated \$60 million in cash and notes, has taken Wickes to court to force the sale. (A Chicago judge has issued a temporary restraining order prohibiting Wickes from incorporating cash flow from

(Continued on page 46)



Wickes chairman and ceo Sanford Sigoloff, has declared the \$4 billion retailer bankrupt, under Chapter XI protection, hoping to get goods moving into its stores again. An announcement was expected at presstime of plans to move Wickes headquarters from San Diego to Santa Monica, Calif.

Dealers' solar programs rise, while OPEC's prices fall

NATIONAL REPORT—Until recently the strongest allies of solar heating were OPEC and the Federal Government, which encouraged citizens to meet rising oil prices with increased conservation.

Now, as both the cost of oil and the Energy Department's budget are being reduced, many retailers are embarking on programs that were developed during the energy crunch.

While lower fuel costs may result in less customer interest in conservation, at least in some regions, the industry consensus is that over the long run energy awareness is inevitable.

Indeed, the National Assoc. of Home Builders research

foundation anticipates that by mid-decade 25% of all new homes will have passive solar. One consulting group placed the current solar market at \$150,000,000. A spokesman for the Passive Solar Industries Council said that figure was probably low.

"I don't anticipate that people will now be less energy conscious," said Horace Pierce, executive vice president of the Northeastern Retail Lumbermen's Assn. "Bring oil back to 50¢ per gallon and maybe you've got something."

The NRLA has just completed work on the nation's most extensive effort at making building supply dealers energy

experts. The association expects to sell 200 to 300 of its display and audiovisual packages over the next few months.

The package includes a free-standing, 12-ft.-long point-of-sale display wall, divided into four panels. Each panel carries a separate message: maintenance and weather stripping; thermal products and insulation; solar energy, and merchandise product information.

(Continued on page 46)

NEWSBREAKS

POSNER INDICTED. Victor Posner, who is merging his Sharon Steel firm with Evans Products, has been indicted in Miami on 12 counts of conspiracy, tax evasion and falsifying tax records stemming from a charitable land contribution he made to Miami Christian College in 1975. The indictment claims Posner evaded \$1.25 million in taxes on the land he evaluated at \$3 million, which the Government assessed at \$1 million.

SCOTTY'S GOING SOUTH. Scotty's, Winter Haven, Fla., has reached an agreement in principle to acquire the seven RCB Lumber stores in the Florida Keys. The announcement came as the 90-store chain declared a 5 for 4 stock split and an increase in its cash dividend to 15¢ per share, both payable Aug. 2.

Exclusive NHCN/NAHB survey

DIY interest in energy levels off

NEW YORK—Homeowner interest in making energy-related improvements seems to have reached a peak, according to preliminary findings of a nationwide survey conducted by NHCN, in conjunction with the National Assn. of Home Builders.

The survey was directed at owners of homes built 10 years ago, or more, asking whether they had purchased, or planned to purchase, certain energy products. In 23 product categories, the percentage of prospective buyers was consistently lower than the percentage of those who had already made purchases.

The size of the energy products market remains large, however, despite the ebb in consumer interest, which is perhaps temporary, reflecting reaction to declining oil prices and the recession.

Significantly, those who planned to purchase energy products indicated a high degree of willingness to install the products themselves, the study indicated.

For example, in the near future 2.8 million homeowners

are expected to purchase caulking, while 2.5 million and 3.2 million respectively should buy weather stripping and attic insulation. Of those customers the majority—76.5% in the case of caulking—will be DIY-ers.

Caulking, weather stripping and attic insulation are the

most popular improvements being made to single-family homes. They are also the projects most often undertaken on a DIY basis. Still, only 6.4% of the respondents said they planned to purchase caulking, while 21.5% had already done so.

(Continued on page 46)

Marketing dispute delays electronic ordering system

By Molly Brauer
NHCN field editor

NATIONAL REPORT—A newly developed system that could link distributor and manufacturer computers in the hardware industry, and pave the way toward a national electronic order-entry system, has hit a snag.

Manufacturers and distributors are in limbo as they wait for a dispute between American Hardware Data Systems, a subsidiary of the American Hardware Manufacturers Assn. (AHMA), and National CSS to be resolved.

The current dispute centers on the marketing of a system which would allow dissimilar computers to communicate through a central information storage and switching point.

According to William Farrel, executive director of AHMA, the board met at the Southern Hardware Convention in Hous-

ton last month, and is now considering three options: a joint solution worked out with National CSS; selection of an alternate firm to market the system; or taking on the marketing task internally. While no immediate time schedule has been adopted, the board is looking to settle the matter quickly.

The system, which is akin to "Trans Net" in the transportation industry and "Order Net" in the drug industry, would allow wholesalers to place orders with hardware manufacturers on a national basis.

The software program, called EAGLE, would offer an alternative to using the mail to submit purchase orders.

"The system would act as a computer liaison between distributors and manufacturers by cycling distributors' orders through an "electronic mailbox," converting the orders, in

(Continued on page 43)

Energy home improvement market

(customers in millions)

Attic insulation	2.2	3.2
Caulk & sealants	2.1	2.8
Weather stripping	1.3	2.5
Storm doors	1.0	2.3
Ceiling fans	1.2	2.3
Wall insulation	1.0	1.9
Water heater wrap	1.2	1.7
Pipe insulation	0.8	1.3
Interior storm windows	0.3	1.2
Kerosene heaters	0.3	1.0

Source: NHCN-NAHB 1982 survey

DIY portion of market

Preliminary results of the 1982 NHCN/NAHB home improvement poll show that while interest in energy products seems to have reached a peak the DIY approach remains strong.



Ole's opens 34th unit amid bargain madness

MONROVIA, Calif.—A throng of well-behaved shoppers applauded politely as Ole's Home Center officials and local politicians held a ribbon-cutting ceremony to mark the opening of the chain's 34th outlet.

But good manners disappeared when the doors opened and some 500 bargain-hunters rushed to be among the first customers inside the sleek, new home center.

"It's a madhouse," gasped one woman as she maneuvered a shopping cart containing her three preschool children toward the nursery department in the 40,000-sq.-ft. unit.

Within two hours of the March 25 opening, cashiers had rung up sales of 900 plastic trash cans and 100 barbecue grills, items heavily discounted and advertised in pre-opening circulars.

Ole's, a popular and high profile \$160 million (estimated) chain, has continued on an expansion-oriented path despite the economic woes befalling much of the DIY industry.

Harvey Knell, Ole's president and son of company founder and chairman Max Knell, said two more stores are slated to open this year, in Oxnard and San Leandro—both California cities outside Ole's traditional Los Angeles-area stronghold. The chain which opened its 33rd unit Feb. 4 in South Pasadena, also operates three outlets in Las Vegas, Nev.

The Monrovia store, located in the San Gabriel Valley, is only a few miles from the company's Pasadena, Calif., headquarters. It and a Mervyn's Department Store are co-anchors in the Huntington Square Shopping Center under construction in a heavily traveled area north of the Foothill Freeway.

The store contains some 30,000 sku's and is a high-cube prototype with 84-in. gondolas instead of the 61-in. gondolas which are common at Ole's older units. The higher profile, said Robert Mendes, vp-sales and promotion, "gives us a better visual presentation of merchandise and allows us to put more goods on the floor and eliminate warehouse space."

Former Lindsley exec to open DIY warehouse

MIAMI—A new warehouse-type home center operation is being launched by several industry executives led by Pat Sher, former head of Lindsley, the Florida enterprise.

The group plans a Sunbelt chain called HomeOwners Warehouse, with four openings during the next 18 months and four new units added annually.

The first store should be opened by the end of this year, although its location has not been finalized, he said. Units will be opened in pairs in major cities, but specific markets were not disclosed.

"I think in metro areas this warehouse type of approach is the future of the business," said Sher. "It's no secret that we've

had Home Dept in the market. I like their concept, although we will not be a Home Depot."

The HomeOwners Warehouse stores will be 60,000 sq. ft. to 70,000 sq. ft., with 30,000 to 35,000 sku's. It will be different from Home Depot in appearance and emphasis, according to Sher.

"It's possible to pass on savings to DIYers and not be disheveled," he said. "Our main thrust will be building materials."

The chain, however, will also carry housewares and automobiles.

"Our margins will be in the same area as Home Depot's," he said. "They talked about 30% margins, but I've seen

them reduce that."

"We've got to get in the neighborhood of \$100 per square foot to make it pay," he said.

Sher, who spent the earlier part of his career at Sears, left 40-store Lindsley, which is part of Evans Products, to start this new venture.

"I was fortunate enough to be able to put together a corporation where I have the greater part of the equity," he said. "We've raised a considerable amount of money."

Other members of the private corporations were not disclosed.

"Our objective," said Sher, "is to be a major home center chain."

Proposed legislation would end FTC restrictions on ad claims

By Ken Rankin

Washington correspondent

Federal Trade Commission restrictions on comparative price advertising by home center chains and other retailers would be virtually eliminated under new legislation proposed by Reagan Administration FTC chairman James Miller III.

Under Miller's plan, the agency would no longer take action against ad claims expressed as opinions rather than facts, and commission regulators would further be required to determine whether reasonable consumers are likely to be misled by a statement before challenging it as deceptive.

In addition, the FTC would be barred from filing deceptive ad charges unless the agency uncovers evidence that consumers have been materially injured by an advertising claim.

According to commission officials who developed the proposed new ad enforcement shift

for Miller, overzealous FTC regulators have harmed consumers by discouraging price advertising by retail chains.

"These cases involve claims that an advertised price represents a special sale price, or a substantial discount from the 'regular' price," FTC Consumer Protection Bureau director Timothy Muris said in a new policy analysis prepared for

Miller.

While such ads may technically mislead consumers if the reference price is inflated, there is no evidence that they cause any direct harm to consumers, he concluded.

"It is very difficult to see why consumers would pay more for the product even if the 'regular' price claim were true," Muris

(Continued on page 44)

Wolohan's uses computer to centralize buying

SAGINAW, Mich.—Wolohan Lumber store managers are doing 10%-12% less purchasing as the 34-unit chain's central office uses its new data processing capabilities to take on more of the buying load, according to president and chief operating officer David Wallace.

The company put a point-of-sale system into all its stores last year and information is "flowing from each center's IBM cash register onto a diskette that goes to our data pro-

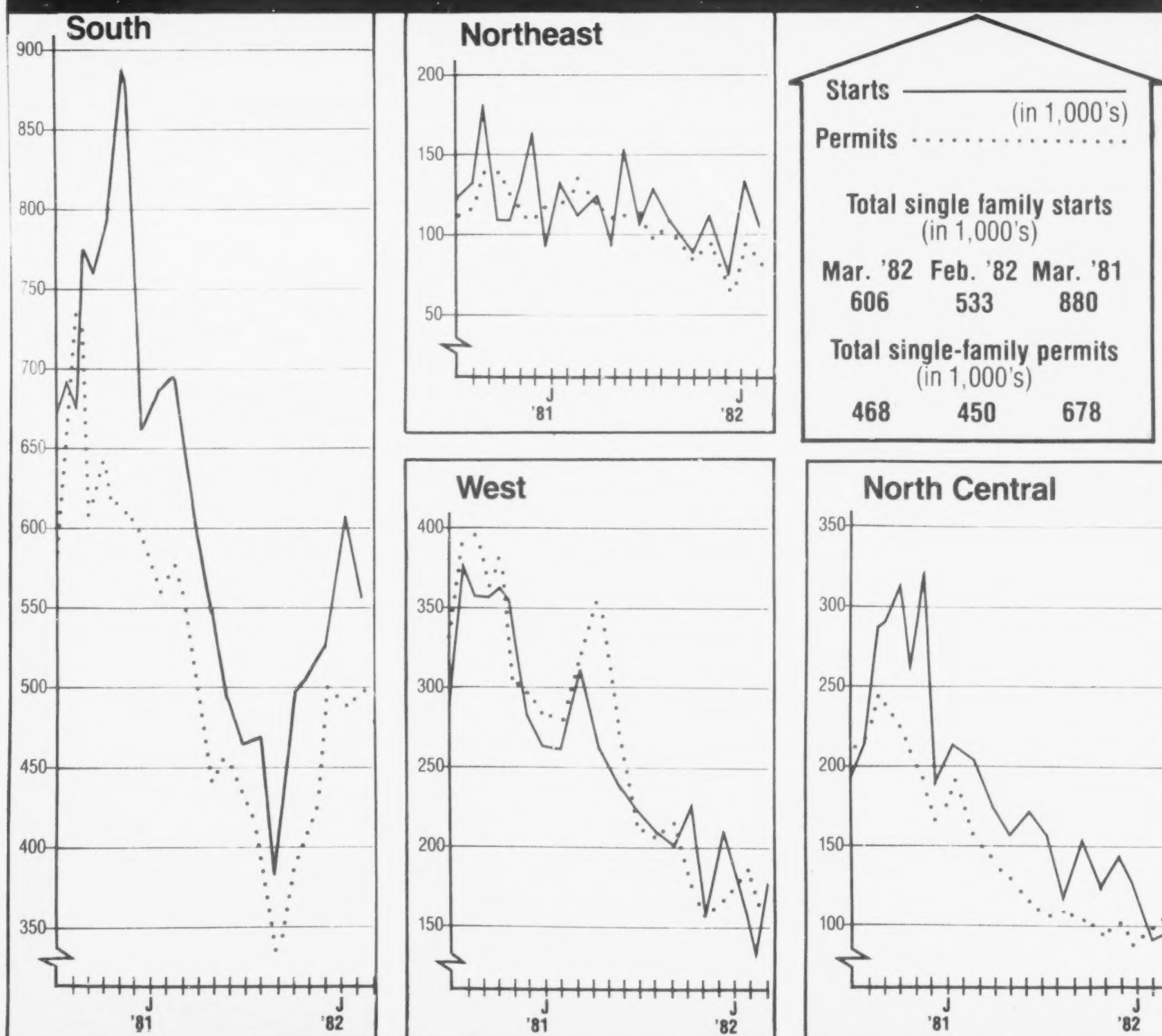
cessing offices," its annual report related.

Wallace said that the system is allowing a review of all inventory and creating more opportunities for central purchasing.

"As you go with a point-of-sale system," he explained, "you do purchasing at the place where you have the information. The system helps control inventory, but it's our feeling that the store managers need time and talent to manage their

(Continued on page 44)

March housing activity



Annual housing starts rose 2.5% in March to a seasonally adjusted rate of 947,000. Permits were up 9.4% to 870,000, seasonally adjusted, after a 4.4% drop in February. Single-family starts climbed 8.4% to a rate of 606,000. March was the eighth consecutive month that the seasonally adjusted figure for total starts was less than one million.

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Dealers up ad campaigns to help energy sales

NATIONAL REPORT—A year ago home center merchandisers were riding on a wave of consumer demand for energy-saving products. Reports estimated energy conservation spending had doubled from the year before to more than \$8 billion, and was expected to triple in five years.

Home center retailers expected a continued climb in energy sales, but 1981's weakened economy has forced a change of outlook.

George Poulos, vice president of merchandising for 36-store Wolohan Lumber, thinks the energy department fad has "reached a plateau and it's stabilizing. The ball has moved to the energy companies' court now, and they will be doing more to promote the idea through home energy checks and efforts in other parts of the economy." Business as a whole is down, making energy buying for the fall more tenuous as home centers try to adjust to an uncertain economy.

Wolohan Lumber doesn't advocate energy departments, but the chain, "reminds people of the potential tax credits for energy improvements," through tabloids, newspaper ads and signs on products in the stores. The chain promotes the energy concept sparingly, reserving the idea for special promotions or store openings.

Jim Cohen, vice president, director of operations for Bridgeton, Mo.-based Central Hardware, has implemented a direct strategy to combat what he sees as the primary difficulty with energy sales momentum. "The primary factor is our

weakened economy; weather comes and weather goes, fuel costs fluctuate, but people simply don't have the money."

Central has developed a fluid financing plan to win long-term customers rather than short-term sales gains. "We've taken a very aggressive stance with our credit programs. We finance insulation and installation at extremely low rates, and we have been known to set up a

credit schedule with no interest for six months." The standard schedule is only slightly less dramatic than the no-interest time payments; it's a 6% deal on minimum orders of between \$100 and \$250.

"We view financing as a merchandising tool, and use it as a stimulant to maintain customer base," explains Cohen who adds that Central advertises financing as well as energy prod-

ucts. Advertising is reinforced at stores with signs reminding customers that financing is available, and Central has a complete energy house in each store illustrating energy-saving products on a year-round basis.

Advertising is one way to keep customers coming in the door and the competition at bay. Craig Taelman, general manager of Circle Lumber, South Bend, Ind., puts it bluntly: "The competition in our immediate area had a decrease in volume [on energy items], but we get a larger portion of the business because of aggressive advertising despite being in an extremely depressed area."

Circle Lumber relies heavily on the usual tabloid format (circulation of approximately 140,000), which reminds DIYers of energy improvement tax advantages. The company tried

TV and found it expensive, so the funds will be shifted to radio which portrays Circle's image more effectively.

In addition to hearing jingle humming customers in the aisles, Craig Taelman tells a story that illustrates a Madison Avenue achievement par excellence. Circle's radio jingle uses the store motto "Helping You," and a nearby home economics teacher from Niles, Mich., was enlisted to make a promotional banner for the store. "As she was laying out the words 'helping you' her classroom charges burst into song completing the jingle."

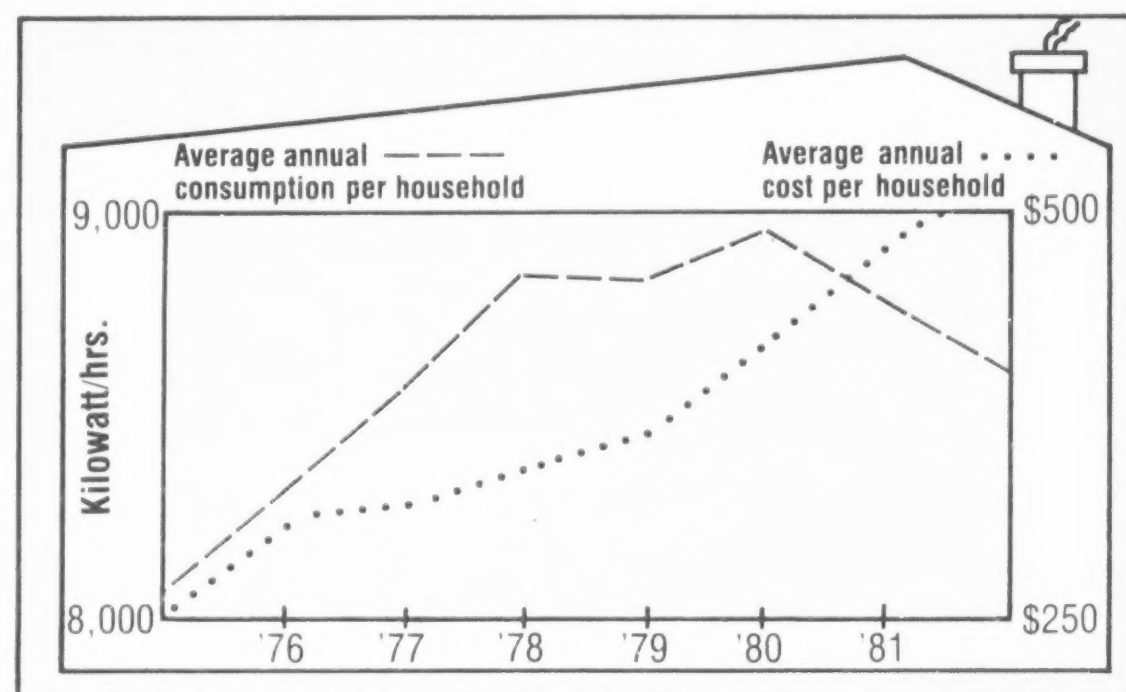
Nick Whitesell, merchandising manager of five-store Handyman, estimates that his chain will "commit more dollars to the advertising budget—probably about 5% more—just to keep the percentage of the market we have now."

(Continued on page 31)

U.S. fuel expenditures and consumption

Type	Consumption (in quadrillion Btu's)		Cost (in billions)	
Natural gas	5.3	5.6	\$17.8	\$15.3
Electricity	2.4	2.5	32.6	29.9
Fuel oil, kerosene	1.7	2.2	10.7	8.6
Liquid petroleum	0.3	0.3	2.1	1.7
	April 1979-March 1980	April 1978-March 1979		

National fuel consumption dropped in every fuel category surveyed by the DOE except liquid petroleum gas (level), while costs rose across the board from April 1978 to March 1980.



Average annual household electric bills have risen steadily for six years (by 11.6% in 1981) while per household consumption took a 2% dip in 1981.

Source: Edison Electric Institute

Insulation margins sagging as demand levels

NATIONAL REPORT—Stabilized demand for fiberglass insulation in the face of excess supply has turned a product once on allocation to home center dealers into a low-margin commodity used to build traffic.

Insulation production capacity is at its highest levels in years, as manufacturers expanded facilities at the turn of the decade to respond to an overwhelming surge in demand.

Now, with new home construction at its lowest level since World War II, and consumers sweating out the recession, demand for insulation has tapered considerably, leaving what one industry source described as a two-year supply currently on the market.

"Sales are somewhat in the doldrums right now," said Don Stratton, commodities buyer for Hardware Wholesalers Inc., Fort Wayne, Ind. "Wholesale prices have been fairly stable but there is some rather strange pricing at the retail level," he said.

"Insulation products are being used as loss-leaders or low-margin leaders for whatever the reason and that's bad merchandising," he declared. Stratton concluded that it was "a buyer's market."

At three-store, Philadelphia-based Mr. Good Buys, co-owner Dan Neduscin has seen margins "drop drastically" over the past two years.

"I've had to throw out the laws of the marketplace," said an exasperated Neduscin. "The supply of insulation is up, the demand is way down, but the wholesale price is going up."

"It's not a great item for us,"

he said. "We're basically forced to carry it," adding that the stores carry \$15,000-\$18,000 in insulation inventory.

Mr. Good Buys stocks the Johns-Manville brand of fiberglass blanket-type insulation exclusively in four foil-faced sizes and one unfaced size at price points of \$7.50-\$14.75. Neduscin said that sales were up in panel foam insulation, selling for \$3.15 per 32-sq.-ft. package.

The Mr. Good Buys' Baltimore unit features a new display area complete with informational signage about various types of insulation and relative R-values, Neduscin said.

Hector Rochon, purchasing director for six-store Herr Lumber, Seattle, has seen his chain's profit margins drop by "up to 5%," the result of severe competition with other retailers. Insulation sales at Herr store have "held up fairly well," said Rochon compared to other products, reflecting the continuing "energy consciousness" of consumers in the chain's Northwest market area.

Herr stocks Certainteed blanket insulation in two styles and Thermalite, a locally produced blow-in product. Vermiculite, a loose-fill insulation supplement manufactured by W. R. Grace, is available on

special order. Each Herr store carries an average \$15,000 in insulation inventory.

Insulation profit margins have declined for Williams Brothers, the seven-unit Atlanta chain. "The profitability of insulation is marginal," said merchandising manager Jim Stansberry. "We're always running sales to maintain a competitive edge," he said. "We make very little on the products and basically see insulation as a traffic builder and good for our image as a complete home center."

Bob Henkle, president of independent Homeworks Home & Building Center, Grove,

Okla., finds himself buying less frequently and in larger quantities in an effort to keep margins up. Henkle has increased his insulation inventory by one-third over the past 16 months and recently instituted a "slight" price increase.

The store carries Johns-Manville blanket-type insulation at price points of 16¢ per square foot for the 3½ in. and 26¢ per square foot for the 6-in.-thick rolls. Other insulating products carried include polystyrene sheets ("a big seller") and Thermax (4-ft. x 8-ft. urethane foam boards with foil back manufactured by Celotex) at price

(Continued on page 31)

'Energy House'

(Continued from page 17)

descript' insulation in the house," he said.)

Basically, companies in the business of home retrofitting seemed to have more funds available for this kind of promotional activities than the building materials manufacturers, Goss observed.

At mid-April the energy house was only 50% complete, with the electrical system yet to be installed. The house will be both over-electrified and over-air-conditioned, according to Goss, to accommodate an expected 7,000 visitors per day at the rate of 150 per hour.

With only 10 days to go before the opening, 45 manufacturers of energy products were represented in the house. The Victorian structure now has plexiglass walls and ceilings showing how insulation is applied, wall-mounted temperature gauges showing how ceiling

fans reclaim heat, cut-away window frames to demonstrate the application of weather stripping, electric meters to show energy consumption of appliances, energy efficient lighting and skylights, wood stoves and solar units to demonstrate alternative fuels, water-saving plumbing devices and pipe insulation.

Participating manufacturers can use the Fair logo in advertising and promotion, Goss said. They will also have access to a mailing list compiled from a "Passport Survey" of house visitors, who will be asked to indicate product interest as well as provide information about their own homes. "This will help manufacturers find out where the market is going," Goss said.

"This is an unusual exhibit because rather than just providing energy saving tips we're recommending specific products," he said. "The fa-



mous solar house on eastern Long Island is designed along the same lines but who can afford \$350,000 for a house these days. Most homes are old and in need of retrofitting with doors, windows, insulation, ducts. That's where the energy house is of very practical assistance to

the average homeowner who wants to reduce his energy bill," he said.

After the Fair closes on Oct. 31, the house will be turned over either to the Tennessee Valley Authority or the City of Knoxville, with most of its energy-saving devices intact.